

1939

INTERNATIONAL SHOE CO.
MANUFACTURERS
1501-1509 Washington Avenue
St. Louis, Mo.

INTERNATIONAL SHOE CO.

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St. Louis, Mo.

FINANCIAL STATEMENT

November 30, 1939

BOARDING

984.38

Ex.

INTERNATIONAL SHOE Co.

MANUFACTURERS

1501-1509 Washington Avenue

ST. LOUIS, Mo.

FINANCIAL STATEMENT

November 30, 1939

December 30, 1939.

To OUR STOCKHOLDERS:

Financial report showing the results of the International Shoe Company's operation for the fiscal year ended November 30, 1939, is submitted herewith.

Net sales to customers were \$89,325,446.87 compared with \$80,828,631.50 last year. Exclusive of canvas rubber soled shoes our factories produced 49,267,631 pairs of shoes, against 39,137,274 last year.

Subsidiary plants (sole leather and upper leather tanneries, textile mill, factories making all leather counters, heels and soles, rubber heels and soles, welting, box toes, cartons, containers, chemicals, cements, etc.), produced during 1939 shoe materials and shoe supplies amounting to \$43,428,047.82, which, combined with our sales, made an aggregate of \$132,753,494.69 business transacted.

Net earnings, after taxes, for the year were \$6,588,209.30 which represents an earning of \$1.97 a share on the Common Stock. This compares with \$4,268,286.36 or \$1.27 a share last year.

The Company's current assets of \$64,508,782.54 are 12.8 times its current liabilities of \$5,025,577.63, which include a reserve for income taxes of \$1,700,000.00.

Net sales in dollars were the highest since 1930, while, in pairs, both production and shipments exceeded any year since 1929. The increase in pairs over last year was proportionately greater than the increase in dollar sales. This was due, largely, to lower shoe prices, together with an exceptionally large increase in the sale of children's shoes.

For some time, the demand for the Company's children's shoes has exceeded its manufacturing capacity. To meet this situation, arrangements were made during the year for an additional factory at Perryville, Missouri, and a new and larger building for the Fulton, Missouri factory. This additional production will be available early in 1940.

The radical increase in hide and leather prices which occurred following the outbreak of war in September, resulted in uncertain market conditions which made it advisable to provide a reserve of \$550,000, as shown on the balance sheet, to cover a possible market decline in raw materials acquired at the increased prices.

On November 27, 1939, the Company paid one week's extra pay to its factory, warehouse, and office employees.

The continuous full operation of most of the Company's factories during the year and the loyal cooperation shown by our employees in contributing to this accomplishment have been particularly gratifying.

NINETEEN HUNDRED FORTY gives promise of another successful year in the Company's operation. This assurance is based on the favorable reception of our product by our customers, and the confidence that we have in the earnestness of our organization.

Respectfully submitted,

INTERNATIONAL SHOE COMPANY

Frank C. Rand.
Chairman of the Board.

B. A. Gray
President.

INTERNATIONAL

CONSOLIDATED

As at Novem

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$ 22,318,772.93
Accounts Receivable:	
Customers, less Reserve for Cash Discounts and Doubtful Accounts.....	\$ 16,154,959.76
Salesmen's Traveling Advances and Sundry Accounts.....	<u>97,783.51</u> 16,252,743.27
Inventories at lower of Cost or Market:	
Manufactured Merchandise.....	8,718,996.12
Raw Materials, Merchandise in Process, and Supplies	<u>17,218,270.22</u> 25,937,266.34
TOTAL CURRENT ASSETS.....	<u>64,508,782.54</u>
Expenses Paid in Advance—Insurance Premiums, Taxes, and other Deferred Charges to Operations.....	373,581.81
Employees Notes Receivable (Under Installment Plans for purchase of Common Stock) secured by 3,900 shares of Common Stock.....	87,758.78
Company's Own Common Stock—6,700 shares at Net Cost (Market Value \$254,600.00).....	173,175.51
Advances to (\$1,000,000.00) and Investment in Associated Companies.....	1,057,555.00
Investment in Stocks of other Companies, Etc. (less Reserve)....	250,827.18
Physical Properties at Tanneries, Shoe Factories, Supply Departments, and Sales Branches (Based on Appraisal as of April 30, 1925, plus subsequent Additions at Cost):	
Land and Water Rights.....	\$ 2,026,140.88
Buildings and Structures.....	22,690,376.90
Machinery and Equipment.....	18,039,086.75
Lasts, Patterns, and Dies.....	<u>1.00</u>
TOTAL.....	42,755,605.53
Less—Reserve for Depreciation.....	<u>24,963,662.42</u>
Net Depreciated Value of Physical Properties....	<u>17,791,943.11</u>
TOTAL.....	<u>\$ 84,243,623.93</u>

SHOE COMPANY

BALANCE SHEET

September 30, 1939

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable for Merchandise, Expenses, and Payrolls.....	\$ 3,197,949.37
Officers, Stockholders, and Employees Balances.....	127,628.26
Reserve for Federal Income Taxes.....	1,700,000.00
TOTAL CURRENT LIABILITIES.....	5,025,577.63
Reserve for Possible Market Decline in Raw Materials.....	550,000.00
Insurance Reserves.....	730,878.15

CAPITAL STOCK:

Preferred Stock 6% Cumulative—Authorized 250,000 shares of \$100.00 each— Outstanding.....	None
Common Stock — Authorized 4,000,000 shares without Nominal or Par Value, whereof Issued and Outstanding — 3,350,000 shares.....	\$ 50,250,000.00
Earned Surplus.....	27,687,168.15
(Of the Earned Surplus \$173,175.51 used for the purchase of Company's Own Common Stock as per Contra)	=====
TOTAL CAPITAL AND SURPLUS.....	\$ 77,937,168.15
 TOTAL.....	 \$ 84,243,623.93

INTERNATIONAL SHOE COMPANY
CONSOLIDATED INCOME ACCOUNT
For the year ended November 30, 1939

Net Sales of Shoes and Other Manufactured Merchandise	\$ 89,325,446.87
Cost of Shoes and Merchandise Sold, after charging Operating Expenses, Mainte- nance of Physical Properties, Selling, Ad- ministrative, and Warehouse Expenses (including Reserve of \$550,000.00 for possi- ble market decline in Raw Materials), and Credit Losses, less Discount on Purchases.	\$ 79,773,502.20
Depreciation of Physical Properties.....	<u>1,599,905.46</u>
NET OPERATING PROFIT.....	<u>7,952,039.21</u>
Miscellaneous Income.....	<u>109,857.78</u>
NET EARNINGS.....	<u>8,061,896.99</u>
Provision for Income Taxes.....	<u>1,473,687.69</u>
NET INCOME FOR YEAR.....	<u><u>\$ 6,588,209.30</u></u>

**COMMON STOCK CAPITAL
AND CONSOLIDATED SURPLUS ACCOUNT**

Common Stock Capital and Surplus, as at November 30, 1938:	
Common Stock Capital (Outstanding 3,350,000 shares)....	\$ 50,250,000.00
Earned Surplus.....	<u>26,945,233.85</u>
	<u>77,195,233.85</u>
Net Income, for the year ended November 30, 1939.....	<u>6,588,209.30</u>
Dividends:	
Common Stock, \$1.75 per share.....	\$ 5,862,500.00
Less—Dividends on Company's Own Common Stock.....	<u>16,225.00</u>
	<u>5,846,275.00</u>
Common Stock Capital and Surplus, as at November 30, 1939....	<u>77,937,168.15</u>
Divided as follows:	
Common Stock Capital (Outstanding 3,350,000 shares).....	<u>50,250,000.00</u>
Earned Surplus.....	<u>27,687,168.15</u>
	<u><u>\$ 77,937,168.15</u></u>

ACCOUNTANTS' REPORT

TO THE BOARD OF DIRECTORS,
INTERNATIONAL SHOE COMPANY,
St. Louis, Missouri.

We have examined the Consolidated Balance Sheet of the International Shoe Company and Subsidiary Companies as at November 30, 1939 and the Consolidated Statements of Income and Surplus for the year ended on that date, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

Under the terms of the usual agreements covering machinery leased in the shoe industry, the International Shoe Company is liable to the lessor for deferred license fees in the event that such machinery is returned to the lessor; in addition, the Company is obligated to pay all repair charges and return freight costs when and as such leased machinery is returned to the lessor.

In our opinion, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Income and Surplus present fairly the consolidated position of the International Shoe Company and Subsidiaries at November 30, 1939 and the result of the operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. Louis, Missouri.
December 23, 1939.

PEAT, MARWICK, MITCHELL & CO.

OFFICERS

FRANK C. RAND	Chairman of the Board
JAMES T. PETTUS	Vice-Chairman of the Board
BYRON A. GRAY	President
ANDREW W. JOHNSON	Vice-President and Treasurer
PAUL B. JAMISON	Vice-President
OLIVER F. PETERS	Vice-President
H. EDGAR JENKINS	Vice-President
ARTHUR B. FLETCHER	Vice-President
DICKSON S. STAUFFER	Vice-President
C. D. P. HAMILTON	Vice-President
WILLIAM N. SITTON	Assistant Treasurer
ROBERT O. MONNIG. . . .	Comptroller and Asst. Sec'y
CARL E. BRUECKMANN	Secretary

DIRECTORS

ROBERT E. BLAKE	ANDREW W. JOHNSON
SAMUEL BOWN	J. LEE JOHNSON
CLARENCE H. FIELDER	ROBERT L. JORDAN
ARTHUR B. FLETCHER	WILLIAM H. MOULTON
BYRON A. GRAY	OLIVER F. PETERS
H. ROY GREEN	JAMES T. PETTUS
EDWARD J. HOPKINS	JAMES E. QUINN
FRED HUME	EDGAR E. RAND
LEWIS B. JACKSON	FRANK C. RAND
PAUL B. JAMISON	JOSEPH O. RAND
ALBERT H. JENKINS	WILLIAM N. SITTON
H. EDGAR JENKINS	DICKSON S. STAUFFER

TRANSFER AGENTS

MANUFACTURERS TRUST CO., NEW YORK, N. Y.
MISSISSIPPI VALLEY TRUST CO., ST. LOUIS, MO.

REGISTRARS

GUARANTY TRUST CO., NEW YORK, N. Y.
ST. LOUIS UNION TRUST CO., ST. LOUIS, MO.

SALES BRANCHES

ST. LOUIS

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Continental Shoemakers
Pennant Shoe Co.
Jefferson Shoe Co.
Vitality Shoe Co.
Queen Quality Shoe Co.
Dorothy Dodd Shoe Co.
Winthrop Shoe Co.
Conformal Footwear Co.

NEW YORK

Morse & Rogers

BOSTON

Hutchinson-Winch

MANCHESTER, N. H.

Great Northern Shoe Co.
Interstate Shoe Co.

SHOE FACTORIES AND SUBSIDIARY PLANTS

MISSOURI

St. Louis
Hickory St. & Mississippi Ave.
Broadway, Cherokee St. & Lemp Ave.
St. Louis & Jefferson Aves.
Thirteenth & Mullanphy Sts.
Jefferson Ave. & Madison St.
Bland
Cape Girardeau
De Soto
Fulton
Hannibal
Seventh & Collier Sts.
S. W. Cor. Maple Ave. & Collier St.
S. E. Cor. Maple Ave. & Collier St.
Hermann
Higginsville
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
St. Charles
St. Clair
Sikeston
Sullivan
Sweet Springs
Washington
Windsor

ILLINOIS

Anna
Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney
Quincy
Springfield
Steeleville

NEW HAMPSHIRE

Claremont
Manchester
Nashua
Newport

KENTUCKY

Paducah

ARKANSAS

Malvern

TANNERIES

ILLINOIS

South Wood River

NORTH CAROLINA

Morganton
North Wilkesboro

MISSOURI

St. Louis
Thirteenth & Mullanphy Sts.

PENNSYLVANIA

Philadelphia

NEW HAMPSHIRE

Manchester
Merrimack

